

► Center for Rural Affairs, P.O. Box 406, Walthill, NE 68067. Internet: <http://www.cfra.org>

For information about certification as an accredited farm manager, contact:

► American Society of Farm Managers and Rural Appraisers, 950 Cherry St., Suite 508, Denver, CO 80222. Internet: <http://www.asfmra.org>

► Small Farm Program, U.S. Department of Agriculture, Cooperative State, Research, Education, and Extension Service, Stop 2220, Washington, DC 20250-2220. Internet: <http://www.ree.usda.gov/agsys/smallfarm>

For information on aquaculture, education, training, or Community Supported Agriculture, contact:

► Alternative Farming System Information Center (AFSIC), National Agricultural Library USDA, 10301 Baltimore Ave., Room 132, Beltsville, MD 20705-2351. Internet: <http://www.nal.usda.gov/afsic>

► Appropriate Technology Transfer for Rural Areas, P.O. Box 3657, Fayetteville, AR 72702. Internet: <http://www.attra.org>

## Financial Analysts and Personal Financial Advisors

(O\*NET 13-2051.00, 13-2052.00)

### Significant Points

- A college degree and good interpersonal skills are among the most important qualifications for these workers.
- Although both occupations will benefit from an increase in investing by individuals, personal financial advisors will benefit more.
- Financial analysts may face keen competition for jobs, especially at top securities firms, where pay can be lucrative.

### Nature of the Work

Financial analysts and personal financial advisors provide investment analysis and guidance to businesses and individuals to help them with their investment decisions. They gather financial information, analyze it, and make recommendations. However, their job duties differ because of the type of investment information they provide and the clients they work for. *Financial analysts* assess the economic performance of companies and industries for firms and institutions with money to invest. *Personal financial advisors* generally assess the financial needs of individuals, providing them a wide range of options.

Financial analysts, also called *security analysts* and *investment analysts*, work for banks, insurance companies, mutual and pension funds, securities firms, and other businesses helping the company or their clients make investment decisions. They read company financial statements and analyze commodity prices, sales, costs, expenses, and tax rates in order to determine a company's value and project future earnings. They often meet with company officials to get better insight into a company and determine managerial effectiveness. Usually financial analysts study an entire industry, assessing current trends in business practices, products, and industry competition. They must keep abreast of new regulations or policies that may affect the industry, as well as monitor the economy to determine its effect on earnings.

Financial analysts use spreadsheet and statistical software packages to analyze financial data, spot trends, and develop forecasts. Based on their results, they write reports and make presentations, usually making recommendations to buy or sell a particular investment or security. Senior analysts may actually make the decision

to buy or sell for the company or client if they are the ones responsible for managing the assets. Other analysts use the data to measure the financial risks associated with making a particular investment decision.

Financial analysts in investment banking departments of securities or banking firms often work in teams analyzing the future prospects of companies that want to sell shares to the public for the first time. They also ensure that the forms and written materials necessary for compliance with Securities and Exchange Commission regulations are accurate and complete. They may make presentations to prospective investors about the merits of investing in the new company. Financial analysts also work in mergers and acquisitions departments, preparing analyses on the costs and benefits of a proposed merger or takeover.

Some financial analysts, called *ratings analysts*, evaluate the ability of companies or governments issuing bonds to repay their debt. Based on their evaluation, a management team assigns a rating to a company's or government's bonds. Other financial analysts perform budget, cost, and credit analysis as part of their responsibilities.

Personal financial advisors, also called *financial planners* or *financial consultants*, use their knowledge of investments, tax laws, insurance, and real estate to recommend financial options to individuals based on their short-term and long-term goals. Some of the issues they address are retirement planning, estate planning, tax issues, funding for college, and general investment options. While most planners offer advice on a wide range of topics, some specialize in areas such as estate planning or risk management.

An advisor's work begins with a consultation with the client, where the advisor obtains information on the client's finances and financial goals. The advisor then develops a comprehensive financial plan that identifies problem areas, makes recommendations for improvement, and selects appropriate investments based on their goals, attitude toward risk, and expectations or needs for a return on the investment. Often, this plan is written, but it can be in the form of verbal advice. Financial advisors usually meet with established clients at least once a year to update them on potential investments



*Financial analysts research and analyze financial data, helping managers make sound investment decisions.*

and determine if there have been any life changes—such as marriage, disability, or retirement—that might affect the clients' financial goals. Financial advisors also answer questions from clients regarding changes in benefit plans or consequences of a job change. Some advisors buy and sell financial products, such as mutual funds or insurance, or refer clients to other companies for products and services such as preparation of taxes or wills. A number of advisors take on the responsibility of managing the client's investments for them.

Finding clients and building a customer base is one of the most important parts of a financial advisor's job. Many advisors contact potential clients by giving seminars or lectures or meeting clients through business and social contacts.

### **Working Conditions**

Financial analysts and personal financial advisors usually work indoors in safe, comfortable offices or their own homes. Many of these workers enjoy the challenge of helping firms or people make financial decisions. However, financial analysts may face long hours, frequent travel to visit companies and talk to potential investors, and deadline pressure. Much of their research must be done after office hours, because their day is filled with phone calls and meetings. Personal financial advisors usually work standard business hours, but they also schedule meetings with clients in the evenings or on weekends. Many teach evening classes or put on seminars in order to bring in more clients.

### **Employment**

Financial analysts and personal financial advisors held 239,000 jobs in 2000; financial analysts accounted for about 6 in 10 of the total. Many financial analysts work at the headquarters of large financial companies, several of which are based in New York. One-fourth of financial analysts work for security and commodity brokers, exchanges, and investment services firms; and one-fifth work for depository and nondepository institutions, including banks, credit institutions, and mortgage bankers and brokers. The remainder primarily work for insurance carriers, computer and data processing services, and management and public relations firms.

Approximately one fourth of personal financial advisors are self-employed, operating small investment advisory firms, usually located in urban areas. The majority of salaried advisors—nearly 6 in 10—work for security and commodity brokers, exchanges, and investment services firms. About 1 in 7 personal financial advisors work for commercial banks, saving institutions, and credit unions. A small number work for insurance carriers and insurance agents, brokers, and services.

### **Training, Other Qualifications, and Advancement**

A college education is required for financial analysts and strongly preferred for personal financial advisors. Most companies require financial analysts to have at least a bachelor's degree in business administration, accounting, statistics, or finance. Coursework in statistics, economics, and business is required, and knowledge of accounting policies and procedures, corporate budgeting, and financial analysis methods is recommended. A master of business administration is desirable. Advanced courses in options pricing or bond valuation and knowledge of risk management are also suggested.

Employers usually do not require a specific field of study for personal financial advisors, but a bachelor's degree in accounting, finance, economics, business, mathematics, or law provides good preparation for the occupation. Courses in investments, taxes, estate planning, and risk management also are helpful. Programs in financial planning are becoming more widely available in colleges

and universities. However, many financial planners enter the field after working in a related occupation, such as securities and financial services sales representative, insurance agent, accountant, or lawyer.

Mathematical, computer, analytical, and problem-solving skills are all essential qualifications for financial analysts and personal financial advisors. Good communication skills also are necessary because these workers must present complex financial concepts and strategies in easy-to-understand language to clients and other professionals. Self-confidence, maturity, and the ability to work independently are important as well.

Financial analysts must be detail-oriented, motivated to seek out obscure information, and familiar with the workings of the economy, tax laws, and money markets. For financial advisors, strong interpersonal skills and sales ability are crucial to success.

Certification, although not required for financial analysts or personal financial advisors to practice, can enhance professional standing and is strongly recommended by many financial companies. Financial analysts may receive the title Chartered Financial Analyst (CFA), sponsored by the Association of Investment Management and Research. To qualify for CFA designation, applicants must have a bachelor's degree, 3 years of work experience in a related field, and pass a series of three examinations. The essay exams, administered once a year for 3 years, cover subjects such as accounting, economics, securities analysis, asset valuation, and portfolio management.

Personal financial advisors may obtain a Certified Financial Planner (CFP) or Chartered Financial Consultant (ChFC) designation. Both designations demonstrate to potential customers that a planner has extensive training and competency in the area of financial planning. The CFP designation, issued by the CFP Board of Standards, requires relevant experience, completion of education requirements, passage of a comprehensive examination, and adherence to an enforceable code of ethics. The ChFC designation, issued by the American College in Bryn Mawr, Pennsylvania, requires experience and completion of an eight-course study program. Both programs have a continuing education requirement.

A license is not required to work as a personal financial advisor, but advisors who sell stocks, bonds, mutual funds, insurance, or real estate, may need licenses to perform these additional services. Also, if legal advice is provided, a license to practice law may be required. Financial advisors that do not provide these additional services often refer clients to those qualified to provide them.

Financial analysts may advance by becoming portfolio managers or financial managers, directing the investment policies of their companies or those of clients. Personal financial advisors who work in firms also may move into managerial positions, but most advisors advance by accumulating clients and managing more assets.

### **Job Outlook**

Increased investment by businesses and individuals is expected to result in faster-than-average employment growth of financial analysts and personal financial advisors through 2010. Both occupations will benefit as baby boomers save for retirement and a generally better educated and wealthier population requires investment advice. In addition, people are living longer and must plan to finance more years of retirement. The rapid expansion of self-directed retirement plans, such as the 401(k) plans, is expected to continue. Most of the money in these plans is invested in mutual funds. As the number of mutual funds and the amount of assets invested in the funds increases, mutual fund companies will need increased numbers of financial analysts to recommend which financial products the funds should buy or sell. Growth in retirement plans will

also increase demand for personal financial advisors to provide advice on how to invest this money.

Deregulation of the financial services industry is also expected to spur demand for financial analysts and personal financial advisors. Since 1999, banks, insurance companies, and brokerage firms have been allowed to broaden their financial services. Many firms are adding investment advice to their list of services and are expected to increase their hiring of personal financial advisors. Many banks are now entering the securities brokerage and investment banking fields and will increasingly need the skills of financial analysts in these areas.

The globalization of the securities markets as well as the increased complexity of many financial products also will increase the need for analysts and advisors to help investors make financial choices. In addition, business mergers and acquisitions seem likely to continue, requiring the services of financial analysts. However, in the field of investment banking, the demand for financial analysts may fluctuate because investment banking is sensitive to changes in the stock market. And further consolidation in the financial services industry may eliminate some financial analyst positions, somewhat dampening overall employment growth. Competition is expected to be keen for these highly lucrative positions, with many more applicants than jobs.

Earnings

Median annual earnings of financial analysts were \$52,420 in 2000. The middle half earned between \$40,210 and \$70,840. The lowest 10 percent earned less than \$31,880, and the top 10 percent earned more than \$101,760.

Median annual earnings in the industries employing the largest numbers of financial analysts in 2000 were:

Security and commodity services .....	\$65,920
Security brokers and dealers .....	54,650
Management and public relations .....	52,690
Computer and data processing services .....	51,680
Commercial banks .....	46,910

Median annual earnings of personal financial advisors were \$55,320 in 2000. The middle half earned between \$34,420 and \$96,360. The lowest 10 percent earned less than \$25,110, and the top 10 percent earned more than \$145,600.

Median annual earnings in the industries employing the largest number of personal financial advisors in 2000 were:

Security brokers and dealers .....	\$66,150
Security and commodity services .....	61,430
Commercial banks .....	49,880

Many financial analysts receive a bonus in addition to their salary, which can add substantially to their earnings. The bonus is usually based on how well their predictions compare to the actual performance of a benchmark investment. Personal financial advisors who work for financial services firms are generally paid a salary plus bonus. Advisors who work for financial planning firms or who are self-employed either charge hourly fees for their services or charge one set fee for a comprehensive plan based on its complexity. Advisors who manage a client's assets usually charge a percentage of the assets under management. A majority of advisors receive commissions for financial products they sell in addition to a fee.

Related Occupations

Other jobs requiring expertise in finance and investments or sales of financial products include accountants, financial managers, insurance sales agents, real estate agents, and securities, commodities and financial services sales representatives.

Sources of Additional Information

- For information on a career in financial planning, contact:
- The Financial Planning Association, 3801 E. Florida Ave., Suite 708, Denver, CO 80210. Internet: <http://www.fpanet.org>
- For information about the Certified Financial Planner certification, contact:
- The Certified Financial Planner Board of Standards, 1700 Broadway, Suite 2100, Denver, CO 80290-2101. Internet: <http://www.cfp-board.org>
- For information about the Chartered Financial Consultant designation, contact:
- The American College, 270 South Bryn Mawr Ave., Bryn Mawr, PA 19010. Internet: <http://www.amercoll.edu>
- For information on about the Chartered Financial Analyst designation, contact:
- Association of Investment Management and Research, P.O. Box 3668, 560 Ray C. Hunt Drive, Charlottesville, VA 22903. Internet: <http://www.aimr.org>

Financial Managers

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Significant Points

- A bachelor's degree in finance, accounting, or a related field is the minimum academic preparation, but many employers increasingly seek graduates with a master's degree.
- The increasing need for financial expertise will spur employment growth.

Nature of the Work

Almost every firm, government agency, and organization has one or more financial managers who oversee the preparation of financial reports, direct investment activities, and implement cash management strategies. As computers are increasingly used to record and organize data, many financial managers are spending more time developing strategies and implementing the long-term goals of their organization.

The duties of financial managers vary with their specific titles, which include controller, treasurer, credit manager, and cash manager. *Controllers* direct the preparation of financial reports that summarize and forecast the organization's financial position, such as income statements, balance sheets, and analyses of future earnings or expenses. Controllers also are in charge of preparing special reports required by regulatory authorities. Often, controllers oversee the accounting, audit, and budget departments. *Treasurers* and *finance officers* direct the organization's financial goals, objectives, and budgets. They oversee the investment of funds and manage associated risks, supervise cash management activities, execute capital-raising strategies to support a firm's expansion, and deal with mergers and acquisitions.

*Cash managers* monitor and control the flow of cash receipts and disbursements to meet the business and investment needs of the firm. For example, cashflow projections are needed to determine whether loans must be obtained to meet cash requirements or whether surplus cash should be invested in interest-bearing instruments. *Risk* and *insurance managers* oversee programs to minimize risks and losses that may arise from financial transactions and business operations undertaken by the institution. They also manage the organization's insurance budget. *Credit managers* oversee the firm's issuance of credit. They establish credit-rating criteria, determine credit ceilings, and monitor the collections of past-due